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The President of the Senate
The Speaker of the House of Representatives
The Secretary-designate of the Interior

This report is one of a series that summarizes major policy, management, and program issues facing agency heads in the new administration. Through our work in these areas, we have identified many concerns—some relatively new, others long-standing.

This report on the Department of the Interior summarizes several issues concerning Interior's stewardship and fiduciary responsibilities. It describes our concerns about the need to (1) balance better the competing demands on and increase funding for natural and cultural resources and (2) provide assurances that revenues due the government are being collected. We also offer a wide range of observations and suggestions on how the Secretary of the Interior can best address these concerns.

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Balancing Competing Demands on Natural and Cultural Resources

The Department of the Interior is the principal steward of over 500 million acres, which represent about a fourth of the nation's lands and waters. Interior's stewardship responsibilities include protecting fish and wildlife, preserving environmental and cultural values, improving the quality of life through outdoor recreation, and ensuring the orderly development of mineral resources.

Interior must assume a more effective stewardship role by better balancing competing demands on the natural and cultural resources it is legislatively mandated to foster, protect, and preserve. In some instances, Interior has been more concerned with either the immediate needs of special interest groups or budget reductions than with ensuring the long-term viability of the resources.

Overuse and Other Factors Are Threatening National Parks

Interior must develop a systematic, comprehensive approach to protect and manage park resources.

National parks contain many of the most valuable and treasured historic, cultural, natural, and scenic resources the nation has to offer. They are, however, threatened both from within and outside their boundaries. Interior's park managers told us that the deterioration of some

assets, including roads, trails, public buildings, equipment, and utility systems, is so advanced that, if not repaired or maintained soon, they may be lost permanently.

Continuing problems threatening the parks include

- overuse by park visitors and
- detrimental activities or sources located outside of the parks, including aesthetic degradation from land development and timbering, air pollution caused by acid rain or hydrocarbon pollutants, and water quality changes and pollution caused by such things as oil spills and toxic chemicals.

Compounding Interior's problem, projects intended to mitigate deteriorating resources and threats to health and safety have not been funded; for example, none of the nearly 100 projects proposed in fiscal year 1986 to document or mitigate threats in 10 parks were funded. Further, Interior does not have comprehensive resource management plans for some of the national parks to monitor and manage existing resources, specify staffing and funding needs, or rank problem areas.

Overgrazing Is Damaging Public Rangelands

Interior must take aggressive steps to assess the carrying capacity of public rangelands, establish appropriate grazing levels, and restore grazing-damaged riparian areas.

Livestock overgrazing is damaging a large portion of the public's land. Despite various congressional initiatives, over half of the public rangelands remain in only fair or poor condition, and about one out of every five public rangeland grazing allotments is threatened with further deterioration. The condition of riparian areas—those ecologically critical zones bordering rivers, streams, lakes, and bogs—is even worse. Tens of thousands of miles of streams have degraded riparian areas needing improvement.

The primary cause of this degradation is poorly managed livestock grazing. (When more livestock are allowed to graze in an area than the land can support, forage consumption exceeds the regenerative capacity of the natural vegetation, resulting in erosion, watershed damage, and other deterioration.) Interior field staff we surveyed stated that the Department seems more concerned with meeting the immediate needs of livestock ranchers than with ensuring the long-term viability of the lands.

Interior can better manage public rangelands by

- implementing changes to focus attention on grazing allotments that are overstocked and/or declining, including conducting the assessments needed to establish appropriate grazing levels, and
- establishing finite goals for restoring riparian areas, annually measuring the progress made toward achieving those goals, and justifying instances where proposed restoration efforts are seriously thwarted.

Hardrock Mining Policy Is Damaging Public Lands

Interior should require all mine operators to post a bond or financial guarantee to ensure reclamation of federal lands if the operations cause significant land disturbance.

Despite evidence of the damage to public lands caused by mining for "hardrock" minerals, such as gold, copper, silver, lead, and iron, Interior has not required most mine operators to post a bond or financial guarantee in the event that the operations result in a need for reclamation, such as reshaping the land, reapplying topsoil and vegetation, and removing or controlling toxic materials. In contrast, the U.S.

Department of Agriculture requires financial guarantees from all miners on its national forest lands whose operations are likely to cause significant disturbance. This requirement appears to have minimized the amount of unreclaimed land and has provided Agriculture with the funds needed for reclamation.

Interior bonds mine operators only if the operators have a record of noncompliance, and it does not require bonds for other operators working under notices of intent, the most frequent type of mining operation. Interior told us that these procedures are adequate. However, we have found that there are over 280,000 acres of abandoned, suspended, or unauthorized mining operations on federal lands in 11 western states. Reclaiming these lands will cost an estimated $284 million, and an additional 140,000 acres of federal land currently being mined will also eventually need to be reclaimed.

Interior Lacks Vigorous Oversight of Surface Mining

Interior must put more teeth into enforcement of environmental standards relating to surface mining.

The Surface Mining Control and Reclamation Act of 1977 provides Interior an assortment of enforcement tools to help

ensure mine operator compliance with various environmental protection standards. Although most coal-mining states have been granted authority for regulating coal-mining operations within their borders, Interior retains responsibility for ensuring that states are effectively implementing the provisions of the act.

Interior and the states have had mixed success in carrying out their regulatory responsibilities. While some progress has been made in forcing compliance, many violations have gone undetected, few monetary penalties have been assessed and collected, and many of the enforcement tools outlined in the act have not been exercised to the fullest extent. As a result, lawsuits have been filed challenging the vigor with which mining standards are being enforced, while congressional committees question Interior's regulatory commitment.

Meeting Program Goals and Objectives

For a variety of reasons, including budget considerations and new program requirements, Interior has proposed reducing federal funding for many natural and cultural resource programs and activities. At the same time, we believe that billions of dollars are needed to accomplish the goals and objectives envisioned in enabling legislation. Without adequate funding, deterioration of, and possible irreversible damage to, natural and cultural resources will continue.

Cost of Deferred Park Maintenance Is Approaching $2 Billion

Adequate funding is needed to prevent growth of the backlog of deferred park maintenance and further deterioration of park assets.

In 1987, we were told by 267 park unit managers that there was a $1.9 billion cumulative shortfall in park maintenance funding and a need for 35 percent more maintenance staff. Most of the shortfall—about $1.4 billion, or 74 percent of the total—was reported by 20 park unit managers. Included in the $1.9 billion shortfall was $1.6 billion in capital improvements, approximately 56 percent for road repair projects, and 44 percent for general construction of park facilities.

As a result of maintenance deferrals, assets have deteriorated. We found that

deterioration ranged from unmowed grass and peeling paint to collapsed structures and closed hiking trails.

About $3 Billion More Will Be Needed to Reclaim High-Priority Abandoned Coal Mines

To help reclaim abandoned mine sites, legislation is needed to extend fee collections beyond 1992.

In 1977, the Congress established a fund to reclaim lands around surface coal mines abandoned before 1977; the fund is primarily supported through the collection of reclamation fees from ongoing mining operations. When fee collections statutorily end in 1992, mine operators will have deposited an estimated $3 billion into the fund. However, this funding level will fall short of the estimated $6 billion needed to correct high-priority problems affecting public health and safety. An estimated $33 billion is needed to address all land problems at abandoned mines.

Archeological Surveys Will Cost Billions of Dollars

Increased funding is required if more irreplaceable cultural artifacts on public lands are to be identified and protected.

Federal agencies are required by legislation and executive order to locate and inventory all significant archeological sites on their lands. In December 1987 we

reported on federal agency efforts to protect and preserve a wealth of archeological resources located on public lands in Arizona, Colorado, New Mexico, and Utah, concluding that

- federal agencies had identified and recorded only about 7 percent of the archeological sites thought to be on federal lands and
- funding and staffing constraints, together with the vastness of the area's federal lands, have limited the agencies' physical protection to only a small portion of the known sites; as a result, they have been unable to curb the looting and destruction of identified antiquities.

Surveying all of the remaining agency lands in the four states would be costly—between $400 million and $2 billion. And, Interior estimates that it would cost over $14 billion ($566 million annually for 25 years) to complete nationwide surveys of all park lands.

Fulfilling Fiduciary Responsibilities

Interior's oil and gas leasing, other mineral leasing activities, and rangeland programs are expected to generate revenues of about $5 billion in fiscal year 1989. These resources represent a valuable national asset, and the revenues they generate accrue to the U.S. Treasury, the states, and Native American tribes. We have found that Interior has not always collected the revenues due the government or taken advantage of opportunities to increase future revenues. Therefore, it has not always fulfilled its fiduciary responsibilities.

Collection of Mineral Royalties Is Uncertain

Interior needs to assure that mineral royalty collections are complete and accurate.

Interior's administrative deficiencies have caused the government to lose hundreds of millions of dollars in oil, gas, and coal royalties and rent. These deficiencies include not readjusting royalty rates on federal coal leases by their anniversary date as provided by statute and not increasing certain oil and gas lease rents in a timely manner.

Although Interior has acted on many recommendations, it still cannot provide adequate assurances that it is collecting most

royalties due the government. For example, in April 1988, Interior's Inspector General reported that Interior's audit coverage of royalty payors was inadequate, in part because Interior's auditors had performed comprehensive audits of less than 2 percent of the onshore federal oil and gas leases in fiscal years 1986 and 1987.

Proposed Alaska Land Exchanges Are Not in the Government's Best Interest

Interior should discontinue consideration of proposed Alaska land exchanges because they are not in the best interest of either the government or the wildlife they are intended to protect.

In proposed land exchanges between Interior and six groups of Alaska Native corporations, the Native groups would receive potentially lucrative oil and gas rights in the Arctic National Wildlife Refuge in exchange for lands they now own within the boundaries of other wildlife refuges in Alaska. However,

- Interior did not employ generally accepted methods for dealing with the uncertainty associated with oil and gas prospects on these lands, even though it has stated that the oil and gas leases have been rated by geologists as the nation's best single opportunity to increase domestic oil production over the next 40 years;

- the negotiated price the government would pay for the lands owned by the Native groups is six times their appraised fair market value; and

- much of the lands to be acquired would provide limited additional wildlife and habitat protection benefits.

Although the federal government frequently enters into land exchanges, it normally does not trade away oil and gas rights on public lands. As a result, there are few precedents to use to determine the actions that should be taken to protect the public's interest. The closest parallel is the government's program for oil and gas lease sales.

In lease sales, the government allows the marketplace to value the oil and gas tracts through competitive bidding. Under the proposed land exchanges, however, Interior did not require the Native corporations to competitively bid against each other for the tracts. The government also usually retains a continuing ownership interest in any future oil production through a royalty provision. In doing so, the government is willing to share the risk with the developer by accepting a smaller payment up front and potentially receiving no royalties in exchange for what it

hopes will be a greater return through royalties in the event of a large find. Under the proposed land exchanges, however, Interior does not retain a continuing royalty interest in any future oil production, even though there are indications that the lands may be exceptionally favorable for discovery of one or more supergiant fields (larger than 500 million barrels).

Moreover, Interior appraised the fair market value of the proposed acquisitions at $90 million but arrived at a negotiated price of $539 million, a six-fold increase, concluding that the fair market value did not take into account their true environmental or public interest value. In negotiating the exchange price, Interior used some inappropriate comparisons of prices from previous land transactions. For example, two of the comparisons involved lands in other states where land values are generally higher.

Finally, 76 percent of the lands that the government would acquire under the proposed exchanges

- have been rated by Interior as low priority or unsuitable for acquisition,

- are already protected by law from uses that are inconsistent with wildlife refuge purposes, or
- are most threatened by subsurface mineral development, although Interior would not acquire the subsurface rights under the terms of the proposed exchanges.

Interior is prohibited by law from conveying interests in lands within the Arctic National Wildlife Refuge without prior approval by act of Congress. We have recommended that if Interior decides to proceed with the proposed exchanges and presents them to the Congress for approval, the Congress should disapprove them.

Water Subsidies Continue to Flow to Large Farms

If federally subsidized water is to be limited to separately operated farms, then clarification of congressional intent relating to a 960-acre limitation may be required.

In 1982, the Congress established a 960-acre limit for farms receiving federally subsidized irrigation water. Federal water delivered to acreage that exceeds this limit is to be assessed at a significantly higher rate.

In the past several years, some farms that exceed the legislatively established limit have been divided into landholdings of 960 acres or less. These landholdings continue to be operated collectively as one large farm, but they qualify individually for subsidized water under Interior's regulations. For example, our work identified one 12,000-acre farm that was divided into 15 separate landholdings, all but 1 of less than 960 acres. The 15 landholdings, however, continue to be operated as one large farm. This reorganization has allowed the farm to continue to receive subsidized water on most of the 12,000 acres, and it reduced by about $500,000 the cost of the water received in 1987.

The law and legislative history are silent on these types of arrangements. In our view, however, reorganizations that permit large farms to maximize federal water subsidies, thus reducing federal revenues, are not consistent with what we believe the Congress was trying to accomplish in establishing the 960-acre limit.

Valuable Lands Are Being Sold at Nominal Amounts

Miners should not be given title to the land that they are mining.

In general, the law calls for the federal government to obtain fair market value for

the resources it controls. Interior, however, continues to sell valuable federal lands for a nominal amount—$2.50 or $5.00 an acre—under a patent provision of the Mining Law of 1872. Although the legislation is intended to give miners title to the land that they are mining, some lands acquired in this manner have such substantial value that they have been resold at a handsome profit or used for nonmineral purposes.

Public and congressional interest in the patent provision was rekindled in 1986 when Interior sold under patent 17,000 acres of oil shale land for which the government received $42,500. Weeks later, the patent holders sold this land to a major oil company for $34 million. We have found numerous other instances, in such places as the Phoenix and Las Vegas areas and the ski country of Colorado, where Interior sold land, under the patenting provision, for far less than its fair market value and in the process lost millions of dollars in potential revenue.

Related GAO Products

Parks, Recreation, and Cultural Resources	Parks and Recreation: Park Service Managers Report Shortfalls in Maintenance Funding (GAO/RCED-88-91BR, Mar. 21, 1988). Parks and Recreation: Limited Progress Made in Documenting and Mitigating Threats to the Parks (GAO/RCED-87-36, Feb. 9, 1987). Cultural Resources: Problems Protecting and Preserving Federal Archeological Resources (GAO/RCED-88-3, Dec. 15, 1987).
Federal Land Ownership	Federal Land Management: Consideration of Proposed Alaska Land Exchanges Should be Discontinued (GAO/RCED-88-179, Sept. 29, 1988). Rangeland Management: More Emphasis Needed on Declining and Overstocked Grazing Allotments (GAO/RCED-88-80, June 10, 1988). Public Rangelands: Some Riparian Areas Restored But Widespread Improvement Will Be Slow (GAO/RCED-88-105, June 30, 1988).
Federal Mineral Resources	Federal Land Management: Limited Action Taken to Reclaim Hardrock Mine Sites (GAO/RCED-88-21, Oct. 21, 1987).

Federal Land Management: Financial Guarantees Encourage Reclamation of National Forest System Lands (GAO/RCED-87-157, Aug. 24, 1987).

Mineral Revenues: Coal Lease Readjustment Problems Remedied but Not All Revenue Is Collected (GAO/RCED-87-164, Aug. 25, 1987).

Surface Mining Controls

Surface Mining: State and Federal Use of Alternative Enforcement Techniques (GAO/RCED-87-160, Aug. 20, 1987).

Surface Mining: States Not Assessing and Collecting Monetary Penalties (GAO/RCED-87-129, June 5, 1987).

Surface Mining: Transferring Interior's Surface Mining Regulatory Function (GAO/RCED-88-161, June 9, 1988).

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